

Message Text

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46

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 FEAE-00 AGR-20 INT-08 SAJ-01 DRC-01

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R 021045Z JUL 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 2319

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS STOCKHOLM 2839

E.O. 11652: N/A

TAGS: ETRD, SW

SUBJECT: SWEDEN DISCOVERS OVERLOOKED TRADE DEFICIT

REF: STOCKHOLM 2314

1. STATISTICAL CENTRAL BUREAU (SCB) ANNOUNCED JUNE 28
DISCOVERY THAT VALUE OF IMPORTS FOR PERIOD JANUARY-APRIL
1974 HAD BEEN UNDERESTIMATED BY SKR 1.7 BILLION
(\$386.4 MILLION AT CURRENT RATE) BY REASON OF CHANGES IN
CUSTOMS PROCEDURES. RECALCULATION UNCOVERED TRADE DEFICIT OF
SKR 200 MILLION COMPARED TO EARLIER ANNOUNCED SURPLUS
OF SKR 1.467 BILLION. ALTHOUGH CORRECTIONS HAVE NOT
YET BEEN MADE FOR MAY FIGURES, IT APPEARS THAT DEFICIT
AT END OF FIRST FIVE MONTHS REACHED ABOUT SKR 600
MILLION (136.4 MILLION). THIS BAD NEWS MEANS THAT SWEDISH
INTERNATIONAL PAYMENTS DEFICIT THIS YEAR COULD EXCEED
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SKR 2.0-2.5 BILLION (\$450-570 MILLION) ESTIMATED BY GOS IN MAY.

2. CAUSE OF UNDERESTIMATE WAS LAG OF UP TO TWO WEEKS IN REGISTRATION OF IMPORTS THROUGH CUSTOMS UNDER NEW CUSTOMS PROCEDURES INTRODUCED AT BEGINNING OF THIS YEAR. SINCE JANUARY MAJOR FIRMS HAVE BEEN PERMITTED TO CLAIM IMPORTS IMMEDIATELY UPON THEIR ARRIVAL IN SWEDEN AND TO FILE CUSTOMS DECLARATIONS AT A LATER DATE.

3. REVISED TRADE FIGURES INDICATE THAT STUBBORN OUTFLOW OF FOREIGN EXCHANGE EXPERIENCED BY SWEDEN SINCE MARCH HAS BEEN DUE NOT ONLY TO LOWER INTEREST-RATE STRUCTURE HERE (REFTEL) BUT ALSO TO HIGHER IMPORT BILL THAN HAD BEEN REALIZED. IN PERIOD JANUARY THROUGH END OF JUNE, FOREIGN EXCHANGE HOLDINGS OF RIKSBANK DECLINED BY SKR 3.2 BILLION, WHILE THOES OF COMMERCIAL BANKS ROSE ONLY ABOUT SKR 400 MILLION (EXCLUDING TIME POSITION OF COMMERCIAL BANKS). ACCORDING TO ERIK KARLSSON, DIRECTOR OF CREDIT MARKET AFFAIRS FOR RIKSBANK, TRADE DEFICIT ACCOUNTS FOR ROUGHLY SKR 600 MILLION OF THIS OUTFLOW, FOREIGN AID AND NET TRAVEL EXPENSES ACCOUNT FOR ANOTHER SKR 1 BILLION, AND NET OUTFLOW OF CAPITAL TO SWEDISH ENTERPRISES ABROAD (SKR 300-600 MILLION) AND OTHER CAPITAL MOVEMENTS, KNOWN AND UNKNOWN, ACCOUNT FOR ANOTHER HALF OF OUTFLOW.

4. HIGHER IMPORT COSTS ARE OF COURSE PRINCIPAL EXPLANATION OF TRADE DEFICIT AND ARE SOMETHING ABOUT WHICH SWEDEN CAN DO VERLY LITTLE. SWEDISH IMPORT PRICES HAVE INCREASED ABOUT 39 PERCNET THIS YEAR WHILE VOLUME OF IMPORTS ROSE ONLY 11-12 PERCENT IN FIRST FOUR MONTHS, ACCORDING TO SOURCE AT SCB. BUREAU CONTINUES TO STUDY PROBLEM AND LATER EXPECTS TO PUBLISH BREAKDOWN BY MAJOR COMMODITY GROUPINGS, INCLUDING VOLUME CHANGES.

5. COMMENT. ALTHOUGH WE ARE GETTING SOME MIXED READING ON SHORT-TERM OUTLOOK FOR SWEDISH ECONOMY, KARLSSON AGREES WITH HIS BOSSES, RIKSBANK CHIEF KRISTER WICKMAN AND FINANCE MINISTER GUNNAR STRANG, THAT ECONOMY IS OVERHEATING. KARLSSON POINTS OUT THAT SWEDEN IS EXPERIENCING LOWEST UNEMPLOYMENT RATE IN UNCLASSIFIED

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HISTORY OF THAT STATISTIC. HE ARGUES THAT DOMESTIC DEMAND IS ALREADY STRENGTHENING AND WILL STRENGTHEN MORE AS IMPORTS INCREASE. STRAUZ-HUPE

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